

Washington Citizens' Commission on Salaries for Elected Officials

Official Position Description Form for Executive Branch Positions

Name: Mike Kreidler

Position Title: Insurance Commissioner

1. Position Objective

Briefly describe the overall purpose of this position and what is intended to be accomplished through your effort(s). This section should be broadly focused and summarized in two to four sentences.

The Office of Insurance Commissioner (OIC) regulates the business of insurance in Washington, representing \$25 billion in annual premiums, under the authority granted by Chapter 48, RCW. Functions also include the delegated enforcement of many federal laws governing insurance.

2. Financial Dimensions

a. Number of employees in your organization:

OIC is authorized 210.4 FTEs for the 2005-2007 biennium. The Commissioner also administers the SHIBA HelpLine, which delivers services through a network of approximately 400 volunteers.

b. Your annual budget*: \$43.1 million for the 2005-2007 biennium.

c. Other annualized dollar amounts your job controls or influences:

Insurance Premium Tax for the General Fund	\$507,145,791
Penalties for the General Fund	\$ 2,700,000
Insurance Licenses and Fees for the General Fund	\$ 17,000,000
Insurance Premium Tax for the Health Services Account	\$283,109,099
Biennium Total	\$809,954,890

*Direct control budget – salaries, benefits, etc., of organization staff plus other items under direct control.

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The Insurance Commissioner also has significant responsibility for managing the day-to-day operations of insurers in receivership. The companies currently in receivership are shown below.

Name of Insurer	When Placed in Receivership	Total Assets	# of Employees	Annual Premiums For 2005
Washington Casualty Co.	2003	\$21.4 million	12	\$5.2 million
Western United Life Assur Co.	2004	\$1.16 billion	112	\$9.0 million
Cascade Nt'l Insurance Co.	2004	\$16 million	**	\$31 million
Total managed by WA State Insurance Commissioner		\$1.2 billion	124	\$45.2million

**Services provided by employees of an affiliated company

3. Principal Responsibilities

List in a series of brief factual statements*, starting with the most important, the accountabilities of your position. Each statement should be a complete sentence describing a single basic end result your job is expected to accomplish. Typically, eight to ten responsibilities are listed, but there is no limit.

As the agency's chief executive, the Insurance Commissioner:

- Assesses and collects taxes on insurance premiums, currently generating over \$400 million per year to fund a wide range of general state government programs.
- Conducts comprehensive evaluations of proposed business plans, the financial position, and the management competency of insurers before they are allowed to operate in the state.
- Conducts comprehensive on-site audits of the financial records of 55 insurers domiciled in Washington State, as well as their holding companies.
- Oversees development and marketing of complex insurance products.
- Monitors and audits sales and marketing practices of insurers, agents, and brokers.
- Evaluates insurers' financial health through analysis of financial statements, audit reports, findings by other regulators, and information from independent rating agencies.
- Directly intervenes with insurers whose financial statements indicate signs of weakness. Assumes the management of and running day-to-day operations of insurers placed into receivership at the

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request of the Commissioner by a Superior Court upon a finding of insolvency, and supervises the liquidation of insurers that cannot be rehabilitated through receivership.

- Actively monitors the financial condition of insurers domiciled in other states that are authorized to do business in Washington State.
- Oversees two guaranty associations which determine eligibility and pay benefits to the policyholders of insolvent insurers.
- Reviews and approves proposed premium rates through actuarial reviews of insurers' data.
- Reviews and approves new or changed insurance contracts (policies) for compliance with state and federal laws.
- Enforces consumer protection laws as they relate to insurance transactions.
- Develops and administers licensing examinations and investigates the backgrounds and qualifications of insurance-related professionals.
- Investigates and prosecutes organized crime entities who commit insurance fraud.
- Establishes, administers, and enforces pre-licensing and continuing education standards, and oversees insurance education providers.
- Assists consumers in more than 7,000 complaints each year against insurance companies and individual licensees.
- Coordinates regulatory activities with the Department of Financial Institutions related to the integration of banking and insurance activities under the federal Financial Services Modernization Act of 1999. The two agencies also coordinate regulatory activities in the areas of consumer protection.
- Responds to more than 154,000 requests for information per year on a toll-free hotline.
- Provides health insurance education, assistance, and advocacy for all Washington residents through community sponsors and hundreds of trained Statewide Health Insurance Benefits Advisors (SHIBA) HelpLine volunteers.
- Provides insurance-related technical assistance, information, and education to the public.
- Provides claims assistance and advocacy for Holocaust era victims and survivors, directly and in coordination with other states and the International Commission on Holocaust Era Insurance Claims (ICHEIC).

4. Knowledge and Skills

a. and b. Education and Experience

The position of Insurance Commissioner has far-reaching influence at the state and national level. This position requires a combination of education and experience that demonstrates the strong ability to provide leadership and to make decisions in substantive areas of public policy. The position also

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requires experience at successfully managing complex organizations in the public and/or private sectors, operating effectively in the political arena, and interacting with a broad range of constituencies.

c. Specialized (job content) knowledge and skills:

- Strong executive leadership skills. As chief insurance regulator, the Insurance Commissioner's actions have an impact on every resident and business in Washington State. The Office regulates a complex and increasingly diverse industry. The Insurance Commissioner must balance the competing needs of the dynamic changes to the market, financial solvency, and consumer protection.
- Demonstrated knowledge of corporate governance standards and practices in order to effectively carry out the role of financial regulator.
- Political and public policy acumen to successfully formulate, influence, and advance insurance regulatory issues at the state, national, and international level.
- Adept at balancing the issues and demands of a wide range of interest groups, including the insurance industry, the banking industry, state and federal regulators, consumers, legislators, other state agencies, the federal government, and the media.
- Able to function as the primary insurance consumer advocate for Washington residents and businesses by providing assistance, information, and education on insurance issues.
- Able to determine when a company's weak financial condition requires intervention (oversight, receivership, sale or liquidation) necessary to protect policyholders and taxpayers.

5. Nature and Scope

a. Organization (organization chart enclosed):

- **Size and role of this position and its importance to the state's mission and reputation. Diversity of job scope/responsibilities.**

The business of insurance is critically important to Washington's economy and to the well-being of our state's residents. The state's insurance transactions currently account for over \$25 billion yearly in economic activity through premium payments and billions more in claim payments. Premiums alone generate more than \$800 million each biennium in state tax revenue. Without appropriate personal and commercial insurance products at affordable prices, Washington commerce would grind to a halt and individuals would be exposed to a wide range of financial perils.

The current insurance market is recovering from a negative or "hard" cycle. While pricing is stabilizing and even seeing some reductions for auto and homeowners' coverage, certain types of liability insurance (e.g., homes for vulnerable children and adults, and construction liability)

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continue to experience significant disruption. In addition, insurers have placed more restrictions on coverage and are more selective about the types of coverage they offer. The health insurance market has steadily deteriorated, affecting millions of residents and tens of thousands of employers, leading to health insurance issues as the primary cause of over 80% of all labor disputes.

The Insurance Commissioner provides a strong leadership role in developing both interim and long-range solutions to prevent disruption to lives and commerce in the state. The Commissioner also uses regulatory powers of the office to expand the availability of insurance products through alternative mechanisms such as joint underwriting associations and assistance plans, and proposes comprehensive legislative solutions to ease market disruptions.

To prevent the financial failure of insurers, the Commissioner continually assesses the solvency of insurers and, if necessary, assumes control of distressed companies, returning them to profitability. To protect policyholders and the state's General Fund from being harmed, the Commissioner attempts to avoid liquidating those insurers. Currently, the Commissioner has assumed control of three such companies: a medical malpractice company, a life and annuity company, and a property and casualty insurance company.

The Insurance Commissioner protects insurance consumers by denying rate increases that are deemed to be excessive. During the past five years, this authority has been used to save consumers more than \$175 million. Through free consumer advocacy services, the Office of Insurance Commissioner has recovered over \$65 million since 2001 for consumers whose claims were wrongfully delayed or denied.

The Insurance Commissioner has also been charged by the Washington State Legislature with protecting consumers through the creation of an insurance fraud investigation and prosecution unit. This program will work with other law enforcement agencies to identify organized crime activity that inflates the premiums consumers must pay for insurance coverage.

The federal Financial Services Modernization Act of 1999 removed many historic barriers between the banking and insurance industries. The consolidation of investment and insurance products requires an unprecedented degree of expertise, coordination and cooperation between the OIC and other state and federal regulatory agencies.

b. Management environment.

- **Key challenges, sensitivities, risks, etc., inherent in the position and political environment.**
- **Any unique requirements associated with the performance of job responsibilities.**
- **Key interfaces.**

Key challenges:

- Some challenges have resulted from changes in health insurance

Over the past 20 years, the methods for the provision and payment of health care have

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changed radically. By the turn of the 21st century, many health care consumers in Washington were receiving their coverage through managed care. Under managed care, insurers become directly involved in the decisions about medical treatment. Doctors and hospitals assume a share of the financial risk for treating the patient, and consumers are subject to complex benefit plan requirements and limits on their choice of providers.

In 2000, the Washington State Legislature made significant changes in law, which has resulted in some wide-reaching impacts on consumers in the individual market. The changes have affected many aspects of the consumer's experience, especially with guaranteed renewability. Many consumers lost their coverage as a result of these changes in law as well as budget cuts that were occurring at the same time. Many of the affected consumers have needed and will continue to need help trying to locate and understand new coverage options.

- More people are uninsured and job-based insurance is squeezed

The number of Washington residents who can no longer afford health insurance is on the rise. Today, more than 600,000 men, women and children are uninsured in Washington. That means one out of every 10 people in the state is without health insurance. And even those who are insured have become increasingly dissatisfied as they must bear higher health care costs and as they feel the effects of industry cost-cutting measures on the quality and access to care.

Consumers are not the only ones who are dissatisfied. Medical providers are experiencing cuts in their personal and business income and are facing costly medical malpractice insurance premiums. And employers can no longer afford traditional benefit-rich health plans for their workers. Responsibility is shifting to employees for a greater share of the cost through higher deductible plans, higher co-payments and the substitution of "health savings accounts" for insurance policies.

In the absence of profound reforms, the insurance market will continue to lose healthier segments of the population because of costs. Those who are older and sicker will attempt to retain coverage, resulting in a kind of adverse selection and pressure for even higher premiums. Those who lose coverage and are unable to pay for care will cause a shift in costs to tax-supported state and federal programs with limited budgets.

Safety nets for the uninsured such as the Basic Health Plan and Medicaid will continue to deteriorate for the short and mid-term as the state's economy slowly recovers from recession. The loss of state subsidies has added tens of thousands more people to the uninsured ranks. Unintended consequences will result, such as cost shifting and an increasing financial burden on the rest of the system.

- There are a variety of regulatory challenges

In 2004, Insurance Commissioner Kreidler denied an application by Premera Blue Cross to convert to for-profit status. That decision is still under review by the Washington State Supreme Court. Although this application was denied, there is a national trend toward this kind of conversion. As national carriers emerge and grow in size, they will create additional pressure on remaining nonprofit organizations to convert in order to maintain or improve market share. At the same time, the existence of several national health carriers increases

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the potential for the acquisition of domestic insurers and adds pressure to further reduce competition and choice for consumers.

In recent years, a number of accounting scandals and unlawful business practices involving Fortune 500 corporations have been exposed. These problems underscore the need for insurance commissioners throughout the nation to closely examine the financial and market conduct records of insurance companies, agents, and brokers.

For many years, the regulation of insurer marketplace activity has been done through periodic market conduct examinations. Those examinations are resource-intensive, costly to insurers, and not particularly effective in the early detection and correction of marketplace problems. In response to industry concerns, the National Association of Insurance Commissioners (NAIC) has developed a system of market conduct surveillance that focuses on market analysis rather than market conduct examinations. This regulatory tool will be more efficient and will provide more timely protection for consumers. Washington State's Insurance Commissioner plans to implement such a market conduct surveillance system.

Meanwhile, the tight health insurance market is ripe for scam artists. Illegal health insurance plans are surfacing around the country, preying on vulnerable people who are struggling to find adequate and affordable health care. Early education to alert consumers to phony insurance plans is vital since there is little recourse after consumers become victims.

Increased use of the Internet has created regulatory challenges. An increasing number of insurance transactions are taking place over the Internet without the benefit of advice from an agent or broker. As a result, consumers are finding themselves needing more assistance from the OIC about the products offered and the companies selling those products.

The National Insurance Crime Bureau estimates that fraudulent claims add as much as \$400 per year to the annual cost of insurance for individuals. Most states have enacted programs to specifically respond to insurance fraud by organized crime rings. This has proved necessary because local police authorities lack the dedicated investigative or prosecutorial resources to attack the problem. The lack of such a program in Washington has, unfortunately, amounted to an invitation to such rings to establish a presence in our state. Although Washington ranked 18th in the nation in 2005 for premium volume, our state was ranked 11th for suspected insurance fraud. At the request of the Insurance Commissioner, the Washington State Legislature took a first step in 2006 by establishing and funding an anti-fraud program in the Office of Insurance Commissioner. That program was provided with resources to coordinate efforts with state and local law enforcement officials.

Carriers who offer life and annuity policies will continue to press for a national system of review for rate and form filings. These carriers also will advocate for requirements that each state accept the submission of their filings through the Internet. Similar pressure will come from representatives of insurance agents and brokers for a form of national (rather than state-by-state) licensing. In the absence of nationwide filings or licensing, states will be expected to improve processes and reduce delays.

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Key interfaces:

- National Association of Insurance Commissioners (NAIC):

The NAIC is a national organization whose membership comprises the chief insurance regulators of the 50 states, several U.S. territories, and the District of Columbia. The Washington State Insurance Commissioner partners with the NAIC and other state insurance departments on cooperative and collaborative examinations to share work load on exams.

Through the NAIC, insurance regulators work together to address issues that are common to many jurisdictions. The NAIC also provides a mechanism for representing state insurance regulators' interests to the insurance industry, consumer groups, and the U.S. Congress. Through regular meetings of NAIC committees, task forces, and working groups, states develop common approaches to insurance regulation, including model laws and regulations. By actively participating in the NAIC, the Insurance Commissioner and his staff work toward multi-state requirements and procedures that protect insurance consumers and improve the efficiency of insurance regulation.

- Washington State Department of Financial Institutions (DFI):

The Insurance Commissioner has established regular ties with the Department of Financial Institutions (DFI) and shares information relating to investigations and enforcement activities. The two agencies recently successfully prosecuted a joint disciplinary action against affiliated corporations involving allegations of misconduct that violated both securities and insurance laws. The agencies also are preparing to jointly develop a consumer guide for equity-indexed annuities. OIC investigators have conducted training for DFI securities staff on annuities and other insurance products. Conferences in which staff of almost all of the programs of both agencies are represented and participate are held on an annual basis. They serve as a mechanism for the exchange of information about issues common to both agencies and usually are all-day events.

- Washington State Attorney General's Office (AGO):

The Insurance Commissioner's staff regularly shares information about investigations and enforcement activities with the State Attorney General. The agencies recently cooperated in a joint investigation with the Washington State Bar Association dealing with the solicitation of living trusts. The OIC and the AGO coordinate fact-finding efforts when allegations concerning violations of laws within the enforcement authority of both agencies is presented to either agency. For instance, both agencies cooperate in investigating alleged misconduct concerning the sale of living trusts or reverse mortgages where a licensed insurance agent is involved.

- Washington State Health Care Authority (HCA)

The Insurance Commissioner is charged under RCW 41.05.140 (5) with conducting a financial examination of the self-insured products offered to public employees and retirees. In conducting the examination, the Commissioner is instructed by the Washington State Legislature to determine the adequacy of the reserves held for these important health and

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dental insurance programs. Under-funding of the reserves by the HCA could jeopardize the financial viability of the programs and would result in additional expenditures by the state to pay claims incurred under the program. The Commissioner's independent financial review assures ongoing fiscal prudence in the management of the programs.

In addition, the Commissioner engages in interagency discussions and programs with the HCA as well as other health care agencies in addressing the pressing problems brought about by the health care crisis in the state. One example of this collaborative effort is with the Blue Ribbon Commission on Health Care Costs and Access set forth in the 2006 Supplemental Operating Budget.

- Washington State Department of Licensing (DOL)

The Insurance Commissioner's staff regularly shares information with DOL about investigations and enforcement activities concerning persons who hold bail bond licenses. The OIC recently advised DOL in connection with the drafting of rules intended to apply to bail bond recovery agents. In addition, the OIC has provided training for DOL's licensed bail bond agents regarding laws and rules pertaining to surety bonds.

- Community Partners of the Insurance Commissioner's Statewide Health Insurance Benefits Advisors (SHIBA) HelpLine:

The Insurance Commissioner's SHIBA HelpLine partners closely with many organizations in order to reach consumers. In some cases, these organizations provide entry into their communities. In other cases, the partner organizations assist the OIC in disseminating information to consumers through a wide network of volunteers. SHIBA HelpLine partners include the following:

- U.S. Department of Health and Human Services
- Social Security Administration
- Washington State Department of Social and Health Services
- Community Action Programs/Councils
- Washington Health Foundation, Community Health Access Program
- Washington State Pharmacy Association
- Retired Senior and Volunteer Programs
- Washington Area Agencies on Aging, Senior Information and Assistance Programs
- Asian Pacific American Resource Network
- Washington Coalition on Medicaid Outreach
- Washington Protection and Advocacy Services
- Alliance for Multicultural Health
- Chinese Information Service Center, Korean Women's Association, Consejo and other local non-profit organizations serving diverse communities
- Central Washington University
- Eastern Washington University
- Western Washington University
- CHOICE Regional Health Networks
- Washington State Health Care Authority

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- Washington State Health Insurance Pool Board
- Washington Community Migrant Health Clinics

c. Problem-solving/decision-making requirements.

The problem-solving and decision-making requirements of this job are no different from those of other leadership positions in which the head of the organization must constantly balance regulatory duties with the provision of vital services. Issues that the Insurance Commissioner must address on a daily basis are varied and complex, as noted in the sections describing the job's principal duties and key challenges. While it is not practical to dissect and describe the mental processes involved with every major decision that the Insurance Commissioner makes, it should be noted that the issues frequently require extensive analysis, the synthesizing of complex technical information, the need to make decisions within ambiguous or non-existent statutory frameworks, the need to consider competing opinions by industry and governmental experts, and the need to address problems in an industry that is changing at a breathtaking pace.

Commissioner Kreidler's background includes extensive experience and training as a health care provider, a member of the U.S. Congress, a high-ranking military officer, a regional director of the U.S. Department of Health and Human Services, a state legislator for 16 years, and a member of the Northwest Power Planning Council. This background has equipped Commissioner Kreidler with the knowledge, skills, and abilities needed to address the wide range of decisions called for by the job.

d. Accountability.

As a statewide elected official, the Insurance Commissioner is directly answerable to the citizens of Washington State. The Commissioner is cognizant of the fact that his actions and decisions have far-reaching impacts on all residents of the state as well as the regulated community. With that in mind, the Commissioner places a strong emphasis on providing services that protect consumers, the public interest, and Washington State's economy through fair and efficient regulation of the insurance industry.

As with virtually all governmental positions, there are precedents, standard practices, and statutory boundaries within which the Insurance Commissioner must operate. At the same time, he has a high degree of freedom to act when carrying out his functions. Unlike the heads of agencies who report to the Governor, the Insurance Commissioner has the freedom to make and carry out policy decisions without having to obtain the approval or consensus of the Governor or the Governor's Cabinet. In addition, the Insurance Commissioner has the freedom to actively engage in and change major policy initiatives at the state and national level through membership in the National Association of Insurance Commissioners and through direct interactions with members of the state Legislature, Congress, and the U.S. Senate. Through those interactions, the Insurance Commissioner plays a major role in actually determining the policies, procedures, precedents, and standard practices that will apply to Washington State.

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e. Planning (Technical and Strategic).

- **Focus on the requirement for and impact of planning on the state's mission and success of the agency.**

The Insurance Commissioner must carry out the agency's many mandates while striving to make improvements and operate the agency in a fiscally-prudent manner. In order to do all of these things effectively and to ensure that the agency's mission is achieved, the Insurance Commissioner must rely on systematic short- and long-term planning. Key tools that the Office of Insurance Commissioner uses for this purpose are a strategic plan as well as a more detailed business plan. These tools are used in every division of the agency for prioritizing major initiatives, measuring performance, and allotting resources. Detailed plans, goals and measurements have been developed through July, 2009. Broader strategic objectives have been developed that extend beyond that period of time.

6. Recent Change(s) in this Position

What significant changes have occurred in the job since its last review in 2003? Use the format outline to organize your comments.

In 2006, the Washington State Legislature authorized the Office of Insurance Commissioner to establish an anti-fraud program. This legislative mandate included the granting of police powers to enable the Commissioner's staff to investigate and prosecute organized crime entities who commit insurance fraud.

Under the Commissioner's direction, Kitsap Physicians Services, a major health insurer in the Puget Sound area, was successfully restored to solvency. In 2005, a sale of the insurer was negotiated that ensured that employers and individuals will have the option of choosing their plans for the foreseeable future. This represented the first successful rehabilitation of an insolvent health insurer in the state's history. Also in 2005, the Commissioner assumed control of a multi-state insurance company before it fell into default on obligations to policyholders. Thus far, the obligations of the company are being met and there has been no impact on the state General Fund.

Commissioner Kreidler joined with Governor Christine Gregoire in an effort to undertake medical malpractice insurance reform. Among the most important of the reforms that were enacted into law in 2006 included new powers for the Insurance Commissioner to require all malpractice settlement data to be submitted to his office. Reports generated from this data will allow future reform efforts to be based on facts, rather than anecdotes.

Assuming a more active role at the national level, Commissioner Kreidler in 2005 was designated by the NAIC to lead nationwide negotiations on the settlement of claims against the largest insurance brokers in the country over improper price and rebate schemes. In addition, as co-chair of the NAIC Governmental Affairs Committee, he has led efforts nationally to prevent Congress from eliminating consumer protections in health care and opposing powerful insurance interests that wish to eliminate state insurance regulation in favor of less stringent federal oversight.

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7. General Comments

Please discuss anything else that may contribute to the understanding of your job responsibilities.

Signature: _____

Date: _____

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